

R277-116 WAS APPROVED BY THE UTAH STATE BOARD OF EDUCATION ON DECEMBER 6, 2013. R277-116 IS PUBLISHED IN THE JANUARY 1, 2014 UTAH STATE BULLETIN, SUBJECT TO A 30-DAY COMMENT PERIOD, WITH A FIRST POSSIBLE EFFECTIVE DATE OF FEBRUARY 7, 2014.

**R277. Education, Administration.**

**R277-116. Utah State Board of Education Internal Audit Procedure.**

**R277-116-1. Definitions.**

A. "Appointing authority" means the Board.

B. "Audit" means internal reviews or analyses or a combination of both of Utah State Board of Education programs, activities and functions that may address one or more of the following objectives:

(1) to verify the accuracy and reliability of USOE or Board records;

(2) to assess compliance with management policies, plans, procedures, and regulations;

(3) to assess compliance with applicable laws, rules and regulations;

(4) to evaluate the efficient and effective use and protection of Board, state, or federal resources; or

(5) to verify the appropriate protection of USOE assets;

(6) to review and evaluate internal controls over LEA and USOE accounting systems, administrative systems, electronic data processing systems, and all other major systems necessary to ensure the fiscal and administrative accountability of LEAs and the USOE.

C. "Audit Committee" means a standing committee appointed by the Board which shall consist of all members of the Accountability and Finance Committee. The Chair of the Audit Committee shall be either the Board Chair or Board Vice Chair.

D. "Board" means the Utah State Board of Education.

E. "Internal Auditor" means person or persons appointed by the Superintendent with the consent of the Audit Committee and the full Board to direct the internal audit function for the Board and USOE.

F. "LEA," for purposes of this rule, means any local education agency under the supervision of the Board including any sub unit of school districts, Utah Schools for the Deaf and the Blind, [~~Utah State Office of Rehabilitation,~~]and charter schools[~~, regional service centers, area technology centers and vocational programs~~].

G. "Subrecipient," for purposes of this rule, means any entity awarded funds through a sub-award, contract, or designated to receive an appropriation for programs supervised by the Board.

[G]H. "Superintendent" means the State Superintendent of Public Instruction, who is the Agency Head within the meaning of the Utah Internal Audit Act.

[H]I. "Survey work" means an internal review of Board rules, statutes, federal requirements and a limited sample of an LEA's programs, activities or documentation that may give rise to or refute the need for a more comprehensive audit. The preliminary or

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limited information derived from survey work is a part of the ongoing audit process and may be provided as a draft to the Audit Committee, to the Board or to the Superintendent upon request.

[±]J. "USOE" means the Utah State Office of Education.

K. "USOR" means the Utah State Office of Rehabilitation.

#### **R277-116-2. Authority and Purpose.**

A. This rule is authorized by Utah Constitution Article X, Section 3 which vests general control and supervision of public education in the Board, Section 53A-1-401(3) which allows the Board to adopt rules in accordance with its responsibilities, Section 53A-1-405 which makes the Board responsible for verifying audits of local school districts, Section 53A-1-402(1)(e) which directs the Board to develop rules and minimum standards regarding cost effectiveness measures, school budget formats and financial accounting requirements for the local school districts, Section 53A-17a-147(2) which directs the Board to assess the progress and effectiveness of local school districts and programs funded under the Minimum School Program and report its findings to the Legislature, and by Section 63I-5-101 through 401 which provides standards and procedures for the Board, as the appointing authority for the USOE, to establish an internal audit program.

B. The purpose of this rule is to outline the Board's criteria and procedures for internal audits of programs under its supervision.

#### **R277-116-3. Audit Committee Responsibilities.**

The Audit Committee shall:

A. determine the priority for survey work or audits to be performed based on recommendations from the Internal Auditor, Audit Committee requests or correspondence, other Board member requests, or USOE staff recommendations;

B. consent to the appointment or removal of the Internal Auditor.

C. review and approve the annual internal audit plan and budget;

D. review internal and external audit reports, survey work, follow-up reports, and quality assurance reviews of the Internal Auditor;

E. meet at each regularly scheduled Board meeting with the Internal Auditor to discuss ongoing audits, audit priorities and progress, and other issues;

F. distribute drafts or preliminary versions of audits only to Board members, as requested, or auditees. Internal audits that have not been reviewed in final form by the Audit Committee, the

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auditee, and the Board are drafts and, as such, are not public records;

G. determine the distribution of audit findings in any or all stages or reports to other Board members as well as to other interested parties;

H. review the findings and recommendations of the Internal Auditor and make recommendations for action on the findings to the Board; and

I. evaluate the Internal Auditor at least annually in a formal evaluation process.

#### **R277-116-4. Internal Auditor Authority and Responsibilities.**

A. The Internal Auditor shall work closely with and receive regular supervision from the Superintendent.

B. The Internal Auditor shall report initially to the Superintendent. Following the Superintendent's response, the Internal Auditor reports to the Audit Committee and ultimately to the Board.

C. The Internal Auditor's work shall be determined primarily by a risk assessment developed by the Internal Auditor and approved by the Audit Committee at least annually. The risk assessment shall:

(1) consider public education programs for which the Board has responsibility;

(2) consider and evaluate which public education programs, activities or responsibilities are most critical to:

(a) student safety;

(b) student achievement;

(c) efficient management of public education resources; ~~[and]~~

(d) the priorities of public education as determined by the Board~~[.]; and~~

(e) USOR risks and efficient management of USOR programs supervised by the Board.

D. The Internal Auditor shall meet with the Audit Committee or the Board, at the direction of either, to inform both the Audit Committee and the Board of progress on assigned audits and any additional information or assignments requested by the Audit Committee or the Board.

E. The Internal Auditor shall conduct audits as recommended by the Audit Committee, and as directed by the Board, including economy and efficiency audits, program audits, and financial-related audits of any ~~[program,]~~ function, LEA, or ~~[division]~~program under the Board's supervision, or as otherwise directed by the Board.

F. The Internal Auditor is authorized to manage a statewide

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hotline to receive and investigate allegations of fraud, waste and abuse over programs and entities supervised by the Board.

[F]G. The Internal Auditor shall immediately notify the Audit Committee and the Board of any irregularity or serious deficiency discovered in the audit process or of any impediment or conflict to accomplishing an audit as directed by the Board.

[G]H. The Internal Auditor shall submit a written report to the Audit Committee and the Board of each authorized audit within a reasonable time after completion of the audit.

[H]I. The Internal Auditor shall maintain the classification of any public records consistent with Title 63G, Chapter 2, Government Records Access and Management Act.

[I]J. Audit Committee members, Board members and USOE employees shall maintain information acquired in the audit process in the strictest confidence consistent with the Public Employees Ethics Act, Section 67-1[4]6-4.

[J]K. The Internal Auditor shall have access to all records, personnel, and physical materials relevant and necessary to conduct audits of all programs and agencies supervised by the Board. All public education entities shall cooperate fully with Internal Auditor requests; The Internal Auditor is not required to issue subpoenas or make GRAMA requests under Section 63G-2-202 to receive requested information from public education entities.

L. The Internal Auditor shall meet at least semi-annually with the Audit Committee Chair to review the performance of the Internal Audit Division and discuss matters of concern, resources, and other issues.

#### **R277-116-5. Audit Plans.**

A. An audit plan shall be prepared by the Internal Auditor and shall:

(1) be reviewed regularly by both the Superintendent and the Audit Committee;

(2) identify the individual audits to be conducted during each year;

(3) determine the adequacy and efficiency of the USOE's internal monitoring and control of programs and personnel;

(4) identify the related resources to be devoted to each of the respective audits; and

(5) ensure that audits that evaluate the efficient and effective use of public education resources are adequately represented in the plan.

B. The Internal Auditor shall submit the audit plan first to the Superintendent for review, next to the Audit Committee for review, modification, update, and approval. Each audit plan shall

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expressly state an anticipated completion date.

C. The Internal Auditor shall:

(1) ensure that audits are conducted in accordance with professional auditing standards such as those published by the Institute of Internal Auditors, Inc., the American Institute of Certified Public Accountants, and, when required by other law, regulation, agreement, contract, or policy, in accordance with Government Auditing Standards, issued by the Comptroller General of the United States;

(a) all reports of audit findings issued by internal audit staff shall include a statement that the audit was conducted according to the appropriate standards;

(b) public release of reports of audit findings shall comply with the conditions specified by state laws and rules governing the USOE.

(2) report concerns to the Audit Committee or the Board that arise as the result of survey work or audits that necessitate a direct review of the Superintendent's activities or actions;

(3) report significant audit matters that cannot be appropriately addressed by the Audit Committee and the Board to either the Office of Legislative Auditor General or the Office of the State Auditor;

(4) report quarterly to the full Board those issues which have the potential of opening up the Board, Superintendent, or USOE to liability or litigation;

(5) conduct at least annually a risk assessment of the entire public education system and report the findings to the Audit Committee; and

(6) regularly attend all Board meetings.

**KEY: educational administration**

**Date of Enactment or Last Substantive Amendment: [~~September 21, 2012~~]2014**

**Notice of Continuation: December 16, 2013**

**Authorizing, and Implemented or Interpreted Law: Art X Sec 3; 53A-1-401(3); 53A-1-405; 53A-1-402(1)(e); 53A-17a-147(2); 63I-5-101 through 401**